Cheque Truncation System (CTS)

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Cheque Truncation System Latest News

The Reserve Bank of India (RBI) has decided on the transition of the Cheque Truncation System (CTS) from the current approach of batch processing to continuous clearing with settlement on realisation in two phases.

About Cheque Truncation System

- It is a **cheque clearing system** undertaken **by the Reserve Bank of India (RBI)** for **faster clearing of cheques.**
- As the name suggests, **truncation** is the **process of stopping the flow of the physical cheque in its way of clearing.**
- **CTS** is an **online image-based cheque clearing system** where **cheque images and Magnetic Ink Character Recognition (MICR) data are captured** at the **collecting bank branch** and t**ransmitted electronically**, eliminating the actual cheque movement.
- **Security**: CTS is protected by a comprehensive **PKI-based security architecture** which incorporates basic security and **authentication controls** such as **dual access control, user ID, and password**s with crypto

box and smart card interfaces.

  - **Only CTS-2010 standards**-compliant instruments can be presented for clearing through CTS.
  - CTS-2010 standards contain certain **benchmarks** towards achieving standardization of cheques issued by banks across the country.
  - These include provision of **mandatory minimum-security features** on cheque forms like **quality of paper, watermark, bank's logo in invisible ink,** void pantograph, etc., and standardisation of field placements on cheques.
  - The minimum-security features and standardisation help presenting banks while scrutinising/recognising cheques of drawee banks in an image-based processing scenario.
- **Benefits**.
  - **Realisation of proceeds of cheque** possible within the **same day.**
  - **Data storage and retrieval** becomes **easy**.
  - Minimizes risks and introduces a secured cheque clearing system.
  - Will result in **cost savings** due to lower cost in the physical movement of cheques.
  - **Minimizing bottlenecks and delays** between presentation and realization time.
  - Provides **shorter clearing cycles** and a centralized image archival system.
    - **CTS currently processes cheque**s with a **clearing cycle of up to two working days.**
    - Once the newly announced measures by RBI on Continuous Clearing of Cheques under CTS are implemented, cheques would be cleared within hours of submission instead of two days.

Source: TH
